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SIPDIS

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SUBJECT: TEXTILES AND APPAREL PRODUCTION: ESTONIA

REF: STATE 114799

¶1. (U) In response to reftel, the following are the main sector data for the Estonian textile and apparel producing industry in 2006:

- Total industrial production: USD 7.8 billion
- Total textile and apparel production: USD 458.56 million (5.9% of total industrial output)
- Share of textiles and apparel in total Estonian imports: 5.1 percent
- Share of textiles and apparel in total Estonian exports: 5.2 percent
- Estonian exports of textiles and apparel to the U.S.: 6.72 million USD
- Total manufacturing employment: about 130,000 people
- Total textile employment: 8,944 people
- Apparel employment: 10,468 people

¶2. (U) Estonian textile industry output increased by 3% from 2005 to 2006. During the same period, clothing industry output increased by 6.8%. In 2006, the number of companies in the textile industry grew 5.9%. In the clothing industry the number of companies decreased by 13.7% compared to 2005.

¶3. (U) Due to the steep increase in salary costs (21% in the 2nd quarter of 2007 over the same period in 2006), some companies which rely on outsourcing in Estonia had to close down. Companies which have invested in high technology, product development and brand recognition, are doing well. Some of those companies are producing expensive and high quality products in Estonia and are outsourcing to Asia. At the same time, the largest textile producer in Estonia, Swedish-owned Kreenholmi Valdus (owned by the Boras Wafveri group since 1999) is negotiating a layoff of 800 workers because of a decrease in orders and the increased cost of labor. A Singaporean company, Baltex 2000, closed their operation in Estonia in 2006 to develop real estate projects instead.

¶4. (U) Manufacturers in Estonia are concerned about the textile and apparel manufacturing sector in Asia because China and India subsidize their export industries and therefore have an unfair advantage in the market.

¶5. (U) In general, the GOE does not consider the textile and apparel industry to be a priority sector. GOE officials generally make few public comments

focused on textile issues. The GOE has not taken any actions to increase competitiveness in this field.

¶6. (U) The GOE has programs and financing available (with EU funds) to counsel and retrain dislocated workers. As an example, 360 people who were downsized in June by Kreenholm (para 3) are receiving psychological counseling and retraining. The program is scheduled to last 14 months and will cost about USD 1.3 million (of which 0.9 million is from the European Social Fund.)

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